

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: California Municipal Finance Authority

Allocation Amount Requested: Tax-exempt: \$13,000,000

Project Information:

Name:	Kensington Campus Apartments
Project Address:	Avenue I & 32nd Street West
Project City, County, Zip Code:	Lancaster, Los Angeles, 93536

Project Sponsor Information:

Name:	When Life Hands You Lemons, LP (InSite Development, LLC and Ocean Park Community Center)
Principals:	Steven Eglash, Scott Williams and Wah Chen for InSite Development, LLC; John Maceri for Ocean Park Community Center
Property Management Company:	Ironwood Management, LLC

Project Financing Information:

Bond Counsel:	Kutak Rock LLP
Private Placement Purchaser:	East West Bank (Construction Only)
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	December 27, 2017
TEFRA Adoption Date:	January 10, 2018

Description of Proposed Project:

State Ceiling Pool:	General
Total Number of Units:	51
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family/Special Needs

Kensington Campus Apartments is a new construction project located in Lancaster on a 1.69-acre site. The project consists of 50 restricted rental units and 1 unrestricted manager's unit. The project will have 51 one-bedroom units. Common amenities include a community room, laundry facilities, management offices and a park. Each unit will have a refrigerator, range/oven, disposal, central heating and A/C, window coverings, carpeting and hard surface flooring. The campus will be separated into four townships surrounding a central piazza. Three of the townships will consist of 13 fully furnished apartments and the fourth township will consist of 12 fully furnished apartments. There are 91 parking spaces provided. The construction is expected to begin July 2018 and be completed in January 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (50 units) restricted to 50% or less of area median income households.
Unit Mix: 1 bedroom

The proposed project will be providing a bona fide service coordinator/social worker for a minimum of 176.8 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 25,750,048	
Estimated Hard Costs per Unit:	\$ 307,722	(\$15,693,802 /51 units including mgr. units)
Estimated per Unit Cost:	\$ 504,903	(\$25,750,048 /51 units including mgr. units)
Allocation per Unit:	\$ 254,902	(\$13,000,000 /51 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 260,000	(\$13,000,000 /50 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,000,000	\$ 0
LIH Tax Credit Equity	\$ 90,429	\$ 9,042,949
Deferred Developer Fee	\$ 0	\$ 1,707,099
LA County CDC Funds	\$ 7,000,000	\$ 7,000,000
City of Lancaster	\$ 3,329,830	\$ 4,200,000
CDC Supplemental	\$ 0	\$ 3,800,000
Total Sources	\$ 23,420,259	\$ 25,750,048

Uses of Funds:	
Land Cost/Acquisition	\$ 1,850,000
New Construction	\$ 16,234,854
Contractor Overhead & Profit	\$ 745,000
Architectural Fees	\$ 550,000
Survey and Engineering	\$ 175,000
Construction Interest and Fees	\$ 775,000
Permanent Financing	\$ 50,000
Legal Fees	\$ 100,000
Reserves	\$ 464,788
Appraisal	\$ 5,000
Hard Cost Contingency	\$ 900,000
Local Development Impact Fees	\$ 597,947
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 802,459
Developer Costs	\$ 2,500,000
Total Uses	\$ 25,750,048

Analyst Comments:

This project is considered a high cost per unit project. The project includes significant non residential supportive services spaces. It is also exceeding Title 24, solar and additional mandated requirements. Other entitlement requirements include 15,000 sq. ft. of outdoor benches and lockers for storage space, on-site space for exclusive use of this community and an on-site enterprise building so that the underemployed homeless residents can be retrained for employment. In addition, the project is subject to prevailing wage requirements. Lastly, the project will be located on a large parcel that requires extensive site work due to expansive soil.

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

72.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$13,000,000 in tax-exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	2.5
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	72.5